



DCUSA Consultation

2014/15 DCUSA –Budget Consultation

1. INTRODUCTION

- 1.1 This document sets out the proposed 2014/15 Budget for DCUSA Ltd for the financial year to 31st March 2015 and supporting commentary. The draft budget was approved by the DCUSA Panel on 15th January 2014.
- 1.2 The 2014/15 Budget provides details of the DCUSA work plan and the key business drivers for the company for the coming year, together with a good-faith estimate of the likely associated costs. The Budget includes allowances for the management of Charging Methodology changes as well as project costs associated with CACoP (Code Administration Code of Practice) and TRAS (Theft Risk Assessment Service). The rationale for these allowances is detailed in the budget commentary.
- 1.3 The Panel recognises its obligations to manage costs effectively and section 5 below outlines the actions and principles the Panel will adopt to deliver these requirements. These include only billing certain costs if they are committed to, continual dynamic assessment of quarterly actual spend and adjusting subsequent billing to reflect any under-spends, and effective management of variable cost drivers such as meeting costs.
- 1.4 In accordance with Clause 8.2 of the DCUSA you are invited to provide comments on the draft budget within 20 Working Days. Response should be submitted to DCUSA@electralink.co.uk no later than **18 February 2014**.

2. DCUSA COST DRIVERS

- 2.1 The 2014/ 2015 Budget reflects the impact of a range of factors affecting the ongoing operating costs of managing the DCUSA. The detailed breakdowns of these factors are set out in Section 3 below. The Budget reflects the impact of a growing code and an evolving regulatory environment.
- 2.2 This ongoing development of the code as well as industry and regulatory initiatives drive the requirement for increased resource needed to support the increased volume of work.

- 2.3 The number of Change Proposals being submitted for consideration and development significantly increased in the early part of 2013 and remained constant through the remainder of the year. This is expected to continue into 2014/15.
- 2.4 The Common Connection Charging Methodology (CCCM) was brought into the DCUSA in 2012 and this will have a further impact on the number of Change Proposals.
- 2.5 Ofgem has indicated that the industry should commence work, with a view to procuring a dual fuel TRAS, to meet the relevant licence obligations. An allowance has been included based upon the expectation of increased requirements and responsibilities placed upon the DCUSA from this project. The costs will only be charged to Parties if incurred.
- 2.6 The Panel will continue working with the Authority and the Secretariat and apply sound financial management to DCUSA Ltd's costs to ensure the delivery of effective, efficient and appropriate governance. The continued support and cooperation of all Parties will be fundamental to it achieving this objective.

3. 2014/ 2015 BUDGET

- 3.1 The 2014/15 Budget has been set at **£929k** reflecting a 27% increase on the 2013/14 Budget. This increase is driven by regulatory changes and the increased scope of the agreement over the last 2 years as noted above. The table below details the cost allowances proposed by the Panel. For comparison purposes the equivalent cost allowances for the current original and revised budget year have been provided as well as the latest expected outturn for this current financial year.

DCUSA Ltd 2014 Budget	Budget 2014	Forecast 2013	Budget 2013
Direct Costs			
Secretarial Services	441,600	428,150	428,965
Website Developments	10,000	0	0
Website Support	39,000	25,386	30,725
Direct Costs	490,600	453,536	459,690
Normal operating Costs			
Legal Fees - general	45,000	42,766	35,000
Professional Fees - general	3,000	2,125	3,000
SMART Projects	1,500	2,700	2,700
Audit Fees	7,000	6,550	6,500
General Administration Costs	1,800	732	1,800
Meeting Costs	50,000	38,654	33,000
Bank Charges	300	193	300
Insurance	7,500	7,285	6,800
Charging Methodologies	105,000	59,924	70,000
	221,100	160,929	159,100
CCCM Costs			
CCCM Secretariat Costs	54,000	36,000	15,000
Meeting Costs - CCCM	10,000	-	-
	64,000	36,000	15,000
Specific projects and initiatives			
CACoP Project	5,000	731	15,000
CACoP On-going Costs	-	13,333	30,000
TRAS Project	100,000	-	-
DCUSA Parties Training	3,500	9,800	10,000
Legal Fees	5,000	2,222	10,000
Contingency	40,000	35,000	35,000
Project & Contingency Costs	153,500	61,086	100,000
Total Costs	929,200	711,551	733,790

3.2 The 2014/2015 Budget reflects an increase on the 2013/2014 budget primarily attributable to:

- **Secretariat Services:** The increase in administration and secretariat costs reflects the impact of the annual indexation only.

- **Website Development:** A new website is due to be implemented early in 2014/15. An allowance has been included to cover any additional enhancements to the website that maybe necessary in the year.
- **Website Support:** The increase of £8k reflects the costs associated with the upgrade of the website.
- **Legal Fees:** A £10k increase reflects the costs associated with legal advice for business as usual, DCUSA Change Proposals, any development within the DCUSA and the general operational requirements. A second allowance of £5k has been set to cover any legal fees associated with any of the additional project costs.
- **Meeting Costs:** The allowance of £50k reflects an increase of £17k. This represents the costs incurred for meeting venues, teleconferences and any other costs associated with the meeting e.g. refreshments and equipment hire. The allowance is based upon usage of the full quota of meetings for the year. The increased costs have stemmed from more meetings taking place, resulting in a greater proportion being held at external venues. The Panel is concerned with driving the utilisation of teleconferencing and WebEX facilities, lowering the costs of meeting rooms and delegate travel and expense claims. The allowance includes the assumption that 33% of meetings will be by teleconference or WebEx only, with 25% of delegates for residual meetings attending via teleconference or WebEx.
 - Meeting rooms are assumed to cost £25 per delegate attending
 - Teleconferences/WebEx cost of £250 per month
 - Delegate travel and expense claims averaging £500 per month

Meeting Type	Meetings	Charge	Telecon	Non-Charge
Panel	12	12	0	0
Board	12	0	0	12
AGM	1	0	0	1
Finance & Audit Committee	3	3	0	0
General meeting allowance	172	105	67	0

- **Charging Methodologies:** An allowance of £105k has been made to reflect the professional, administration and legal costs associated with the maintenance of the charging methodologies models.
- **CCCM Costs:** A £64K allowance has been set and this reflects the number of additional meetings that will be held in the year. The allowance will cover secretarial support for CCCM meetings and any additional costs including facilities.
- **CACoP Project:** An allowance of £5K has been made to cover the development of, and enduring impact from, the Ofgem initiative in relation to the CACoP and Review of Code Governance.
- **DCUSA Parties' Training:** An allowance of £3.5k has been made to include the costs associated with the scoping, design and delivery of training to DCUSA Parties.
- **TRAS Project:** An allowance of £100k has been made and this is to cover Ofgem's indication that industry should commence procuring a dual fuel TRAS provider and development of TRAS arrangements. The allowance will include all costs associated with the TRAS e.g. meeting costs, legal costs and any additional administration costs. The TRAS project is subject to DCP 201 'Provisions for the Theft Risk Assessment Service (TRAS)' being approved, which envisages the TRAS project costs being incurred by Suppliers only. The costs will only be invoiced if the DCP is approved.

3.3 Other considerations for the coming year are:

- **Audit fees:** have been increased to £7k, including an inflationary increase. This reflects a continuation with the existing auditors who deliver a good service and are reasonably priced.
- **Insurance:** An allowance of £7.5k has been included to cover the renewal of both the Directors' and Officers' cover and Professional Indemnity (PI) cover during the budget year.
- **General administration:** The allowance included in the budget is to cover general administration items such as, printing and stationery etc.

4. DCUSA OPERATIONAL PLAN

- 4.1 The current DCUSA Operational Plan is attached at Appendix 1. The Budget reflects the Panel's view of the resources required to deliver each of the matters identified.

5. COST MANAGEMENT AND RECOVERY

- 5.1 As part of the Panel's recognition of its obligations for cost management and mitigation the £150k of the project and contingency cost allowances will only be charged to Parties if the costs are incurred.
- 5.2 The Panel will each quarter review the costs incurred, against specifically the Legal and Professional Fee allowances for Charging Methodologies. It will amend the subsequent quarterly billing to take account of any underutilisation of the allowances, thus effectively managing the quarterly impact to the funding parties.
- 5.3 The Panel will continue to manage central and Party costs through holding multiple meetings on the same day at the same location, the provision of teleconference and Web-Ex facilities and ordering refreshments only for confirmed attendees to avoid waste. It encourages Parties to take ownership of changes including through the provision of initial legal drafting. Parties will also continue to be encouraged to actively manage the workload processed through the DCUSA. All other standard operational costs will continue to be charged in line with the process within the Agreement i.e. quarterly in advance based on budgetary estimates.

6. OPPORTUNITY TO COMMENT

- 6.1 Parties are invited to submit any comments on the 2014/15 Budget no later than 18 February 2014 to DCUSA@electralink.co.uk.

APPENDIX 1 - DCUSA PANEL OPERATING PLAN 2014/15**ACTIVE PROJECTS**

No	Task	Outlook Date
1	Website Refresh	Q1, 2014
2	Smart Grids Metering – Implications of Smart Energy Code	Q2, 3 & 4, 2014/15
3	Monitor impact of RIIO	Q2, 3 & 4, 2014/15
4	European Network Code Development	Q3, 2014
5	TRAS	Q1, 2014
6	Licence Lite Application	Q3, 2014
7	CACoP	Q3, 2014